

**SECTION 32 SEWER AUTHORITY
WAKEFIELD, MICHIGAN
AUDITED FINANCIAL STATEMENTS**

March 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* SECTION 32 SEWER AUTHORITY	County* GOGEBIC	Type* AUTHORITY	MuniCode* 27-7-506
Opinion Date-Use Calendar* Mar 31, 2008	Audit Submitted-Use Calendar* Sep 4, 2008	Fiscal Year End Month*	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 0.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 0.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 0.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* ROGER	Last Name* KOLEHMAINEN	Ten Digit License Number* 1101011820		
CPA Street Address* 1445 EAST US 2	City* IRONWOOD	State* MI	Zip Code* 49938	Telephone* +1 (906) 932-3600
CPA Firm Name* ROGER J KOLEHMAINEN C	Unit's Street Address* PO BOX 47	Unit's City* WAKEFIELD	Unit's Zip* 49968	

TABLES OF CONTENTS

Management's Discussion and Analysis	3
Independent Auditor's Report	7
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12
OTHER SUPPLEMENTAL INFORMATION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	18

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION 32 SEWER AUTHORITY

Year ended March 31, 2008

Management's Discussion and Analysis

This section of the Section 32 Sewer Authority's (the 'Authority') annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended March 31, 2008. It is to be read in conjunction with the Authority's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2008.

General Information

The Authority was formed in 1984 to provide sewage disposal services to residents and commercial businesses located in the Indianhead Ski Resort area. The Authority charges for services very similar to business enterprises, where, the intent of the governing body is that the cost of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Financial Statements

The statement of net assets shows the Authority's assets and liabilities. This statement measures the financial strength of the Authority; the greater the net asset figure, the healthier the Authority generally is. This shows if the Authority will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Authority. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Authority. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Authority.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SECTION 32 SEWER AUTHORITY

Financial Statements-Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2008:

	<u>2008</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$80,583
Other assets	4,224
Non-current Assets	
Capital Assets, net	307,980
TOTAL ASSETS	<u>\$392,787</u>
LIABILITIES	
Current Liabilities	\$580
Total Liabilities	<u>580</u>
NET ASSETS	
Investment in capital assets net of related debt	307,787
Restricted	
Unrestricted	84,420
Total Net Assets	<u>392,207</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$392,787</u>

Capital assets, net of related debt is derived by taking the original cost of the Authority's assets, subtracting accumulated depreciation to date, and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
SECTION 32 SEWER AUTHORITY

Results of Operations

The results of operations for the Authority are reported in the statement of revenues, expenses, and changes in net assets. A summary of the results of operations are as follows for the year ended March 31, 2008:

REVENUES	
Program Revenue:	
Charges for services	\$22,021
Interest Income	2,626
TOTAL REVENUES	<u>24,647</u>
EXPENSES:	
Sewer Expenses	30,712
Increase (Decrease) in Net Assets	<u>(6,065)</u>
Net Assets, Beginning of Year	398,272
Net Assets, End of Year	<u>\$392,207</u>

Fund Budget Items

The Authority prepared an annual budget to account for changes in expenditures as needed.

Capital Assets

As of March 31, 2008, the Authority had \$307,980 invested in capital assets, net of accumulated depreciation. Assets were capitalized at historical cost. There were no additions nor retirements recognized for the year ending March 31, 2008.

There is no related debt outstanding related to capital assets holdings as of March 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION 32 SEWER AUTHORITY

Other Economic Factors and Next Years Budget

Economic Factors

The Authority just increased rates by 10% effective April 1st, 2008 in funding a capital improvement project (\$24,250) for 2008-2009. Otherwise, the sewer rates have remained relatively stable over the past several years. Since all underlying debt has been retired, the Authority continues to provide essential services at a reasonable cost in supporting a healthy and clean living environment

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Authority Administrator
Section 32 Sewer Authority
PO Box 47
Wakefield, MI 49968

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board
Section 32 Sewer Authority
Wakefield, Michigan

We have audited the accompanying basic financial statements of Section 32 Sewer Authority (the Authority), as of and for the year ended March 31, 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Section 32 Sewer Authority as of March 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Section 32 Sewer Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, MI
August 15, 2008

**SECTION 32 SEWER AUTHORITY
STATEMENT OF NET ASSETS**

March 31, 2008

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$80,583
Accounts receivable-net	249
Prepaid expenses	3,975
Total Current Assets	<u>84,807</u>

NONCURRENT ASSETS:

Property, plant and equipment	501,512
Accumulated depreciation	(193,532)
Total Non-Current Assets	<u>307,980</u>

TOTAL ASSETS	<u>\$392,787</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$20
Accrued wages/taxes	560
Total Current Liabilities	<u>580</u>

NET ASSETS:

Investment in capital assets, net of related debt	307,787
Unreserved	84,420

TOTAL NET ASSETS	<u>392,207</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$392,787</u>

The accompanying notes are an integral part of the financial statements.

SECTION 32 SEWER AUTHORITY
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
Year ended March 31, 2008

Operating revenues:		
Charges for services		\$8,045
Major customer		13,976
	Total Operating Revenues	<u>\$22,021</u>
Operating expenses:		
Administrative wages and taxes		\$2,829
Contractual cost		7,686
Provision for depreciation		9,495
Operating supplies/maintenance		2,300
Permits		2,800
Utilities		627
Insurance		3,407
Office supplies		135
Transportation		168
Rent		600
Professional fees		665
	Total Operating Expenses	<u>30,712</u>
	Operating income (loss)	(8,691)
Non-operating revenues (expenses)		
Interest income		2,626
	Total non-operating revenue (expenses)	<u>2,626</u>
Net Income (loss)		(6,065)
Net Assets at Beginning of Year		<u>398,272</u>
NET ASSETS AT END OF YEAR		<u>\$392,207</u>

The accompanying notes are an integral part of the financial statements.

SECTION 32 SEWER AUTHORITY
STATEMENT OF CASH FLOW

Year ended March 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$22,994
Payments to suppliers	(18,198)
Payments to employee	(2,773)
Net Cash Provided (Used) by Operating Activities	<u>2,023</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Interest received on investments	2,626
Net Cash Provided by Investing Activities	<u>2,626</u>

Net Increases (Decrease) in Cash and Cash Equivalents	4,649
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Balances- Beginning of Year	<u>75,934</u>
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Balances- End of Year	<u>\$80,583</u>
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	(\$8,691)
Adjustments to reconcile operating income (loss) to net cash Provided (used) by operations activities:	
Depreciation	9,495
Changes in assets and liabilities:	
Accounts receivable	973
Prepaid expenses	222
Accounts payable	(32)
Accrued payroll/taxes	56
Total adjustments	<u>10,714</u>
Net Cash Provided by Operating Activities	<u>\$2,023</u>

Noncash investing, capital and financing activities	None
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The accompanying notes are an integral part of the financial statements.

SECTION 32 SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority was incorporated May 19, 1984 to acquire, own, improve, enlarge, and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955, as amended. The Authority is governed by a Board of Trustees, an independent joint board comprised of members from the two constituent municipalities, Township of Wakefield, Michigan and Gogebic County, Michigan, participating in the sewage disposal system.

General Statement

The financial statements of the Authority are prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has not adopted GASB Statement No. 20. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Authority has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

SECTION 32 SEWER AUTHORITY NOTES TO FINANCIAL STATEMENTS

The Authority reports on sewage operations, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The reporting for utility operations are similar to private business enterprises. The intent of the Authority is to recover operating expenses, including depreciation, through user charges.

Measurement focus

On the Statement of Net Assets and the Statement of Activities, business-like activities are presented using the economic resources measurement focus as defined below.

The financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

Basis of Accounting

The accrual basis of accounting is used by the Authority. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. The accounting and financial reporting treatment applied to the Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses, and changes in net assets. Operating revenues and expenses result from providing services in connection with the Authority’s principal ongoing activities. Principal operating revenues of the Authority are charges to customers for sewer services provided. Operating expenses include the cost of providing sewage disposal, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are investment income.

SECTION 32 SEWER AUTHORITY NOTES TO FINANCIAL STATEMENTS

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Credit is granted to all customers, who consist of one major customer (63% - ski hill operations) and approximately thirty individuals (37%) who own properties in the vicinity of the ski hill. Uncollectible accounts can be levied against customer's real property, no allowance has been recorded.

Inventories

Inventories of Proprietary Fund are considered immaterial and were not taken at year end.

Capital Assets

Capital assets are generally defined by the Authority as assets with an initial, individual cost of \$150 or more. Maintenance and repair costs are charged to expense as incurred. Capital assets are reported at historical cost at the time of acquisition to the Authority. Capital assets in service are depreciated using the straight-line method over the following useful lives:

Utility Plant	40 Years
Buildings	30 Years
Equipment	5-7 Years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

SECTION 32 SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond's mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE B – CASH

Statutes authorize the Authority to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States Government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Authority and the Authority holds certificates of deposit. All cash and certificates of deposits are deposited in financial institutions insured by federal depository insurance. All deposits were covered by insurance and are stated at cost, which is approximately the fair market value.

SECTION 32 SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

A summary of property, plant and equipment and related depreciation data, follows:

Business-Type Activities	Balance at March 31,			Balance at March 31,
	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Capital Assets not Depreciated				
Land and land improvements	\$128,026	\$	\$	\$128,026
Capital Assets being Depreciated				
Lagoon	221,423			221,423
Sewage station	139,248			139,248
Building and equipment	12,816			12,816
Subtotals	\$373,487	\$	\$	\$373,487
Less Accumulated Depreciation for Equipment and Utility plant	(184,038)	(9,495)		(193,533)
Net Capital Assets Being Depreciated	\$189,449			\$179,954
Governmental Activities Capital	\$317,475	(\$9,495)	\$	\$307,980
Total Capital Assets-Net of Depreciation				

Depreciation is computed using the straight-line method.

NOTE D - ACCOUNTS PAYABLE

The Proprietary Fund account payable balances were for normal expenditures at year-end.

NOTE E - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained coverage from commercial insurance companies. The Authority has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 in aggregate. All risk management activities are accounted for in the financial statements of the Authority. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

SECTION 32 SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Management estimates that the amount of actual or potential claims against the Authority as of March 31, 2008, will not materially affect the financial condition of the Authority. Therefore, the financial statements contain no provisions for estimated claims. Settled claims from these risks have not exceeded commercial coverage in any of the past five years.

NOTE F – ECONOMIC DEPENDENCY

The Authority provides services to a major commercial customer. Should the company downsize or ceased to operated, the Authority may need to make substantial rate adjustments to the other users to maintain its financial position.

Roger J. Kolehmainen, PC
Certified Public Accountant
1445 East Cloverland Drive
Ironwood, MI 49938

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

Chairman and Members of the Board of Trustees
Section 32 Sewer Authority
Wakefield, Michigan

We have audited the financial statements of Section 32 Sewer Authority as of and for the year ended March 31, 2008, and have issued our report thereon dated August 15, 2008. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing the audit our audit, we considered the Section 32 Sewer Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion of the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Section 32 Sewer Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Section 32 Sewer Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Section 32 Sewer Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Section 32 Sewer Authority's financial statements that is more than inconsequential will not be prevented or detected by the Section 32 Sewer Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Section 32 Sewer Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify one significant deficiency which follows. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

7-01 Ability to Prepare Financial Statements and Related Note Disclosures

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Board Members. The Authority relies on its auditors to draft its financial statements and related notes in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the Authority. The hiring of additional personnel to prepare the financial statements would not be cost effective. We recommend the continue involvement of the Board in reviewing the reporting and providing oversight.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Section 32 Sewer Authority's financial statements are free of material misstatements, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect of the determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported.

This report is intended solely for the information and use of management, others within the organization and is not intended to be and should not be used by anyone other than these specific parties.



Roger J. Kolehmainen
Certified Public Accountant

August 15, 2008